

Message Text

SECRET POSS DUPE

PAGE 01 NATO 02160 03 OF 03 211730Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 INR-07 PM-04 NSC-05 CIAE-00

EURE-00 /046 W

----- 033489

P R 211505Z APR 76

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 7076

SECDEF WASHDC PRIORITY

INFO AMEMBASSY LISBON

CINCLANT

USCINCEUR

USDOCOSOUTH

USLOSACLANT

USNMR SHAPE

S E C R E T SECTION 3 OF 3 USNATO 2160

ADDITIONAL EXPENDITURE REQUIRED TO COVER THE MILITARY COMMITTEE
FORCE PROPOSALS

18. TENTATIVE ESTIMATES OF THE COSTS OF THE FORCE
PROPOSALS AS ESTABLISHED BY THE MILITARY COMMITTEE OR IMPLEMENTATION DURING THE PERIOD 1977-1982 AND WHICH ARE ADDITIONAL TO CURRENT COUNTRY FORCE PLANS, ADD UP TO SOME ESC. 5,240 MILLION, I.E. ABOUT FOUR PER CENT MORE THAN THE AGGREGATE VALUE OF THE CURRENT NATIONAL PLAN. THIS SUM DOES NOT, HOWEVER, COVER SEVEN FORCE PROPOSALS WHICH COULD NOT BE COSTED BECAUSE OF THE UNAVAILABILITY OF COST DATA. THESE PROPOSALS CONCERN THE ESTABLISHMENT OF A COMBINED ARMS BRIGADE (1L05), THE ACQUISITION OF A REPLENISHMENT SHIP (2M06), THE MAINTENANCE AND REPAIR FACILITIES FOR MARITIME UNITS (2M41), THE WAR RESERVE STOCKS LEVEL (2M42) AND NBC DEFENCE CAPABILITY (2M45) IN THE NAVY, IN THE NAVY, AND THE PROCUREMENT OF A TRANSPORT AIRCRAFT SQUADRON (1A41) AND A TACTICAL AIR SUPPORT SQUADRON (1A42). MOST OF THESE ARE EXPENSIVE MEASURES AND THE FINAL COST OF THE FORCE PROPOSALS WILL BE CONSIDERABLY HIGHER THAN THE AMOUNT INDICATED ABOVE.
FEASIBILITY OF THE FORCE PROPOSALS

19. THE GRAVITY OF THE CURRENT ECONOMIC SITUATION AND THE READJUSTMENT PROBLEMS WITH WHICH PORTUGAL IS FACED MAKE THE

SECRET

SECRET

PAGE 02 NATO 02160 03 OF 03 211730Z

LONGER-TERM ECONOMIC OUTLOOK VERY UNCERTAIN AND AT THE PRESENT TIME NO OFFICIAL PROJECTIONS OF GDP HAVE BEEN REPORTED. GIVEN

THE VERY HIGH ALLOCATION OF RESOURCES TO THE ARMED FORCES THAT HAS PREVAILED UP TO 1974 AND THE CRITICAL NEED FOR RESTORING ECONOMIC AND FINANCIAL STABILITY AND ENSURING FUTURE GROWTH, THERE IS VERY LITTLE SCOPE FOR RAISING THE PLANNED LEVEL OF EXPENDITURES. RESOURCES FOR DEFENCE ADDITIONAL TO THOSE CURRENTLY INDICATED TO NATO CAN ONLY BE MADE TO THE DETRIMENT OF ECONOMIC RECOVERY AND THUS TO THE FUTURE DEFENCE CAPABILITY OF THE COUNTRY.

HOWEVER, THE PRESENT NATIONAL PLAN PROVIDES FOR A CUMULATIVE REDUCTION IN THE DEFENCE BUDGET OF SOME 3.5 PCT YEARLY IN REAL TERMS. ASSUMING A FOUR PER CENT GROWTH RATE THIS WOULD IMPLY A DEFENCE SHARE OF GDP OF THE ORDER OF 4.3 PCT BY 1982, A SHARP REDUCTION FROM THE CURRENT 7.4 PCT BUT STILL HIGHER THAN THE NATO EUROPEAN AVERAGE. FOR ILLUSTRATIVE PURPOSES, IF THE RATE OF DECLINE IN DEFENCE EXPENDITURES WERE TO BE HELD TO TWO PER CENT INSTEAD OF THE 3.5 PCT INDICATED ABOVE, THIS WOULD PROVIDE ADDITIONAL RESOURCES CORRESPONDING TO THE COSTS OF THE FORCE PROPOSALS. IN SUCH A CASE THE DEFENCE SHARE OF GDP WOULD DROP FROM 7.4 PCT TO 4.7 PCT IN 1982 INSTEAD OF 4.3 PCT, AND DEFENCE EXPENDITURES PER HEAD WOULD BE \$79 INSTEAD OF \$72 IN THAT YEAR. HOWEVER, FOR THE MAJOR UNCONSTED ITEMS IT WOULD APPEAR THAT PORTUGAL MUST CONTINUE TO REST HEAVILY ON ASSISTANCE, ECONOMIC AS WELL AS MILITARY.

I.	GROSS DOMESTIC PRODUCT	1974	1982	TOTAL
	(MARKET PRICES)(1)	353,836	437,687	
	- 000 MILLION ESUDOS			

II.	DEFENCE EXPENDITURES			
	(A) 1974 CONSTANT PRICES			
	AND ON THE ASSUMPTION			
	OF A 3.5 PCT YEARLY			
	DECLINE(2)	25,105	18,881	124,070
	(B) 1974 CONSTANT PRICES			
	ON THE ASSUMPTION OF			
	A 2 PCT YEARLY DECLINE(3)	25,105	20,712	130,787

III.	DEFENCE SHARE OF GDP(4)	7.4 PCT	4.3/4.7 PCT
------	-------------------------	---------	-------------

SECRET

SECRET

PAGE 03 NATO 02160 03 OF 03 211730Z

IV.	GDP PER HEAD(5)		
	(US DOLLARS)	1,523	1,669

V.	DEFENCE EXPENDITURES PER		
	HEAD(4) (US DOLLARS)	112	72/79

(1) ESTIMATED GROWTH RATE(-6PCT) FOR 1975 AND TENTATIVE PROJECTED RISE OF 4PCT, ANNUAL AVERAGE, FOR THE YEARS 1976 TO 1982

(2) PROJECTIONS TO 1982 BASED ON TENTATIVE FIGURES REPORTED BY

THE PORTUGUESE AUTHROITIES

(3) A RATE OF DECLINE OF 2 PCT YEARLY INSTEAD OF 3.5 PCT WILL
ADD SOME ESC. 6,717 MILLION IN ADDITION TO THE PLANNED TOTAL
OVER THE PERIOD

(4) THE HIGH AND LOW FIGURES IN 1982 REFER TO DEFENCE EXPENDITURE
LEVELS INDICATED UNDER II(A) AND II(B) RESPECTIVELY

(5) POPULATION FIGURE SOURCE: INTERNATIONAL LABOUR OFFICE,
GENEVA, 1971

IV. RESULTS OF THE MULTILATERAL EXAMINATION BY THE DRC
(TO BE COMPLETED)

V. RECOMMENDED FORCE GOALS
(TO BE COMPLETED)

END TEXT. STRAUSS-HUPE

NOTE BY OC/T: DISTRIBUTION COORDINATED WITH MR. MACK, S/S-O

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976USNATO02160
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: RR
Errors: N/A
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760436/aaaabeff.tel
Line Count: 133
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 APR 2004 by MartinML>; APPROVED <02 SEP 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: n/a
To: SECSTATE WASHDC WASHDC PRIORITY LISBON CINCLANT USCINCEUR USDOCOSOUTH USLOSACLANT USNMR SHAPE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006